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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF CCG COMMUNICATIONS LLC FOR
APPROVAL OF THE MERGER OF CCG
COMMUNICATIONS LLC, VEROXITY
TECHNOLOGY PARTNERS, LLC AND
VEROXITY HOLDINGS, INC WITH AND
INTO LEXENT, INC. AND
ENCUMBRANCE OF ASSETS

DOCKET NOS. T-04290A-12-0373

DECISION NO. 73581

ORDER

Open Meeting
November 7 and November 8, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On August 21, 2012, CCG Communications, LLC ("CCG") and Lexent Inc. ("Lexent") filed an application seeking approval by the Arizona Corporation Commission ("Commission"), pursuant to A.R.S. § 40-285 and any other applicable statutes or rules, for the proposed merger of CCG, Verosity Technology Partners, LLC ("VTP"), and Verosity Holdings, Inc. ("VHI") with Lexent (together the "Applicants") and for the participation by Lexent in certain amended financing arrangements of Light Tower LLC, the direct parent of Lexent and VHI and the indirect parent of CCG and VTP.

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2. No Party has sought intervention in this matter.

Background of Applicants

3. CCG, a Massachusetts limited liability company, is a direct subsidiary of VHI and an indirect subsidiary of Light Tower LLC, with its executive headquarters located at 80 Central Street, Boxborough, Massachusetts 01719. In Arizona, CCG is authorized to provide facilities-based local exchange services pursuant to Decision No. 67883 issued by the Commission in Docket No. T- 04290A-04-0838 on June 1, 2005.

4. VTP, a Massachusetts limited liability company, is a direct subsidiary of VHI and an indirect subsidiary of Light Tower LLC, with its executive headquarters located at 80 Central Street, Boxborough, Massachusetts 01719.

5. VHI, a Delaware corporation, is a direct subsidiary of Light Tower LLC, with its executive headquarters located at 80 Central Street, Boxborough, Massachusetts 01719.

6. Lexent, a Delaware corporation, is a direct subsidiary of Light Tower LLC, with its executive headquarters located at 80 Central Street, Boxborough, Massachusetts 01719.

7. Light Tower, LLC, a Delaware limited liability company, also has its executive headquarters located at 80 Central Street, Boxborough, Massachusetts 01719.

8. Each of CCG, VTP, VHI, Lexent, and Light Tower, LLC is an indirect, wholly-owned subsidiary of Light Tower Holdings LLC ("Light Tower"), a Delaware limited liability company and privately held company with its executive headquarters located at 80 Central Street, Boxborough, Massachusetts 01719.

The Transaction

9. Under the proposed transaction, on or about December 31, 2012, the assets, liabilities and operations of the Applicants will merge, with the surviving entity being Lexent. There will be no change in the ultimate ownership and control of assets, liabilities or operations of the merged companies. Lexent's sole member will remain Light Tower, LLC, which will remain an indirect, wholly-owned subsidiary of Light Tower. The proposed merger is entirely internal to Light Tower; therefore, Light Tower will retain complete indirect ownership and control of the assets and operations used to provide regulated services in Arizona.

10. Upon completion of the transaction, Lexent, as a direct subsidiary of Light Tower LLC, will be required to participate in existing financing arrangements of Light Tower LLC. Under the existing Credit Agreement Lexent will provide a guaranty and will pledge its assets as security for the financing arrangements under the Credit Agreement.¹ The Credit Agreement, as amended, provides for various credit facilities in an aggregate amount of up to \$505 Million including a revolving credit facility, incremental facility and term loans. The credit facilities will mature on November 30, 2015.

11. CCG already participates as a guarantor under, and pledges its assets as security for, the Credit Agreement.² Lexent requests that the Commission authorize Lexent to pledge its assets as security for the Credit Agreement, as amended, in an aggregate amount of up to \$505 Million.

12. As CCG currently does not serve Arizona customers, the merger should be seamless and transparent. The merger will not result in a change to CCG's tariffed rates or terms and conditions. Once the merger is complete, the same personnel who manage CCG's services will continue their roles and there will be no change in the network assets used to provide CCG's services.

13. CCG published a Legal Notice³ in the Arizona Republic newspaper on October 9, 2012, to inform the general public and potential customers of a future Commission Public Hearing and to emphasize that public comments may be submitted in advance or at the hearing.

Staff's Analysis and Conclusions

14. CCG is not a Class A utility, therefore, A.A.C. R14-2-801, et seq. (the "Affiliated Interest Rules") do not apply in this matter.⁴

15. A.R.S. § 40-285 requires public service corporations to obtain Commission authorization to assign or dispose of a utility's assets as proposed by the merger in this transaction. The statute serves to protect captive customers from a utility's act to dispose of any of its assets

¹ Restated and amended on December 16, 2011.

² Decision 71826, August 10, 2010, In the matter of the application of CCG Communications LLC for approval to pledge or encumber assets.

³ The Legal Notice was reviewed by Staff before it was published.

⁴ CCG reported zero, \$0, Arizona Intrastate Revenues in its 2011 Utilities Annual Report

1 that are necessary for the provision of service; thus, it serves to preempt any service impairment
2 due to disposal of assets essential for providing service. The proposed reorganization will change
3 the direct ownership of CCG from VHI to Lexent but the indirect and ultimate ownership by Light
4 Tower Holdings, LLC will not change. The only change that customers may notice will be a
5 change in the name of their provider - from CCG to Lexent. As such, Staff does not believe the
6 proposed reorganization will negatively impact the operations of CCG.

7 16. The proposed reorganization also requires Commission approval for the transfer of
8 the Certificate of Convenience and Necessity ("CC&N"), granted in Decision No. 67883, June 1,
9 2005, from CCG to Lexent. As the proposed reorganization is entirely internal to Light Tower
10 Holdings, LLC, customers will not be impacted. Decision No. 67883 ordered that CCG procure a
11 performance bond of \$100,000. The bond requirement should also transfer with the CC&N
12 granted by Decision No. 67883.

13 17. Staff has recommended approval of the proposed transaction. Additionally, Staff
14 recommends that the CC&N granted to CCG in Decision No. 67883 be transferred to Lexent,
15 including the \$100,000 bond requirement.

16 18. Staff has also recommended that Lexent submit a new tariff to reflect the new name
17 of the entity that is authorized to provide service.

18 CONCLUSIONS OF LAW

19 1. CCG Communications, LLC and Lexent Inc. are public service corporations within
20 the meaning of Article XV of the Arizona Constitution.

21 2. The Commission has jurisdiction over CCG Communications, LLC and Lexent Inc.
22 and the subject matter in this filing.

23 3. The Commission, having reviewed the filing and Staff's Memorandum dated
24 October 25, 2012, concludes that it is in the public interest to grant approval as proposed and
25 discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the application of CCG Communications, LLC and Lexent Inc. seeking approval for the proposed merger of CCG Communications, LLC Verosity Technology Partners, LLC, and Verosity Holdings, Inc. with Lexent Inc. pursuant to A.R.S. § 40-285, be and hereby is approved.

IT IS FURTHER ORDERED that the Certificate of Convenience & Necessity granted to CCG Communications, LLC in Decision No. 67883 be transferred to Lexent Inc.

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1 IT IS FURTHER ORDERED that the bond requirements in Decision No. 67883 be
2 transferred from CCG Communications, LLC to Lexent Inc.

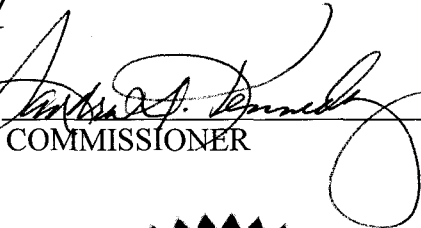
3 IT IS FURTHER ORDERED that Lexent submit a new tariff to reflect the new name of the
4 entity that is authorized to provide service.

5 IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

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7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

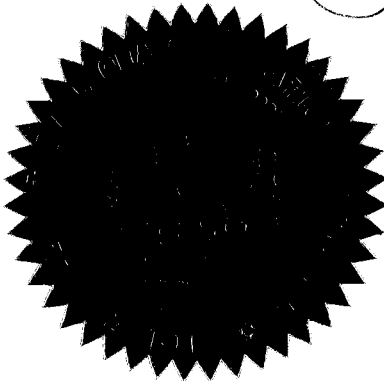
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CHAIRMAN

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COMMISSIONER

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COMMISSIONER

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15 **EXCUSED**
16 COMM. NEWMAN
COMMISSIONER

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COMMISSIONER



IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
Executive Director of the Arizona Corporation Commission,
have hereunto, set my hand and caused the official seal of
this Commission to be affixed at the Capitol, in the City of
Phoenix, this 21ST day of November, 2012.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:AFF:sms/BH

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